

GST and Tax Reforms in India

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ABSTRACT

Currently, in India taxation system is very complicated. The goods and service tax GST is the biggest indirect tax reform since independence in India. It is a long pending tax reform in India GST is a value-added tax (VAT) is proposed to be a comprehensive indirect tax levy on manufacture sale and consumption of goods and services at the national level. It is basically an indirect tax that brings most of the taxes under a single domain. The paper highlights the concept features and impact of GST in the present tax scenario in India. The paper further explores various benefit and opportunities of GST in India.

Keywords:- Tax, Indirect Tax, Goods and Service Tax (GST), India

INTRODUCTION

GST is the most crucial tax reform in India. The GST is basically an indirect tax that brings most of the taxes imposed on most goods and services, on manufacture, sale and consumption of goods and services, under a single domain at the national level. In the present system, taxes are levied separately on goods and services. The GST is a consolidated tax based on a uniform rate of tax fixed for both goods and services. It is payable at the final stage of consumption. At each stage of sale or purchase in the supply chain, this tax is collected on value-added goods and services, through a tax credit mechanism.

Objectives of the Study

The study has the following objectives:-

- to analyse the concept and features of GST.
- to evaluate the impact of GST.
- to analyse the status of GST in India and it's implementation.

RESEARCH METHODOLOGY

The present study is based on secondary data, which are taken from various journals articles and magazines. A descriptive type of research design is adopted for this study.

LITERATURE REVIEW

- Ehtisham Ahmed and Satya Poddar (2009) studied, "Goods and Services Tax Reforms and Intergovernmental Consideration in India" and concluded that introduction of GST will provide simpler and transparent tax system with increase in output and productivity of India. But the benefits of GST depend on rational design of GST.
- Dr. R. Vasanthagoapl (2011) studied, "GST in India: A big leap in the Indirect Taxation System" and concluded that implementation of GST is a positive step in the progress and growth of Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.
- Nitin Kumar (2014) studied, "Goods and Services Tax a Way Forward" and concluded that GST will prove very beneficial in removing complications in current indirect system. It will bring a tax system which is indifferent to geographical locations.
- Garg (2014) studied, "Basic Features of Goods and Services Tax in India", and concluded that GST will have positive impacts on Indian taxation system and it will strengthen free market economy.
- Monika Sehrawat and Upasana Dhanda (2015) studied "GST in India: A key Tax Reforms", and concluded that implementation of tax is the demand of current taxation system in India, the implementation of GST will lead to

higher output, more employment opportunities and flourish Indian GDP and give India a world class tax system by grabbing different treatment to manufacturing and services sector.

Status of Implementation of GST

GST was first time introduced on 28th February 2006 in the budget speech of the year 2006-07 by Finance Minister Sh. P. Chitambam. Since then many times the issue was risen in Loksabha. In Dec. 2014 Finance Minister Arun Jaitley introduced the constitutional amendment Bill of GST in the Lok Sabha. Earlier the bill was rejected by a few states saying that it does not include the issues of compensation, entry tax and the tax on petroleum products. The government of India has covered a lot of distance for implementation of this comprehensive indirect tax.

Finally, the constitution amendment bill of GST has been approved by the president of India in the Parliament (Rajya Sabha on 3 August 2016 and Lok Sabha on 8 August 2016) and ratification by more than 50 percent of state legislatures. The government of India is committed to replace all the indirect taxes levied on goods and services by the centre and states and implement GST by April 2017. Recently Finance Minister Arun Jaitely said, "we are making all efforts to introduce GST from April 1, 2017. GST has to be implemented latest by September 16, 2017 and if it is not implemented by then, states will not be able to collect their share of taxes and hence there is not enough scope for further delay the decision."

Salient features of the proposed India's GST System

- Keeping in mind the federal structure of India, there will be two components of GST –
 - 1 Central GST
 - 2 State GST

Both centre and states will simultaneously levy GST across the value chain. Centre would levy and collect CGST, and states would levy and collect the SGST on all transactions within a state.

- Administration of GST will be the responsibility of the GST council, which will be the apex policy making body for GST. Members of GST council comprise central and state ministers.
- GST would subsume the following taxes currently levied and collected by the centre-
 - a. Central Excise Duty
 - b. Additional Excise Duty
 - c. Additional Customs Duty Commonly known as Countervailing Duty and
 - d. Special Additional duty of Customs
 - e. Services Tax
 - f. Cesses and Surcharges
- State taxes that would be replaced with in the GST are –
 - a. State VAT
 - b. Central Sales Tax
 - c. Luxury Tax
 - d. Entry Tax (other than those in lieu of Octroi)
 - e. Entertainment tax (not levied by local bodies)
 - f. Taxes on Advertisements
 - g. Taxes on Lotteries, Betting and Gambling
 - h. Purchase Tax
- Items which are not under GST are-
 - a. Alcohol
 - b. Tobacco
 - c. Petroleum Products
- The taxable event will be 'supply' of goods or services

GST Supply Chain example (Assuming GST Rate 8%)

Supply of Goods	GST Flow	Input-Cost Ex-GST (in Rupees)	Sale Price Ex-GST (in Rupees)	GST Collected (in Rupees)
A weaver sells a fabric to a tailor for ₹ 108 per meter	The Weaver pays GST of ₹ 8	0	100	8
The tailor sells a readymade completed shirts to a retailer for ₹ 270	The tailor pays GST of ₹ 12 (After input tax claim) weaver claims tax credit for 8	100	250	12
The retailer sells the readymade shirt in his showroom for ₹ 540	The retailer pays GST ₹ 20 after input tax claim tailor claims tax credit for ₹ 12	250	500	20
You purchase the shirt for ₹ 540	No tax credit claim you pay entire GST ₹ 40@ 8%	N.A.	N.A.	Total 40

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Benefits of GST

- According to experts, by implementing the GST India will gain ₹ 15 billion a year. This is because it will promote more exports, create more employment opportunities and boost grow. It will divide the burden of tax between manufacturing and services.
- In the GST system taxes for both centre and state will be collected at the point of sale. Both will be charged on the manufacturing cost. Individuals will be benefited by this as prices are likely to come down and lower prices means more consumption, and more consumption means more production, thereby helping in the growth of the companies.
- GST would be simple and easier to administer than all other indirect taxes of the centre and state levied so far.
- Uniformity of tax rates and structure:- GST Will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. It would reduce hidden costs of doing business. Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.

CONCLUSION

From the above study it is clear that current indirect taxation system create dissilent in Indian economy. Implementation of GST is the demand of time which will be one of the biggest taxation system reforms that will take place in India. It can also be used as an effective tool for fiscal policy management if implemented successfully due to nation-wide same tax rate.

It will lead to higher output, more employment opportunities and flourish Indian GDP and give India a platform to increase its national income and revenues. But it is noted that benefits of GST depend on the rationality of implementing it. It is expected from the current government to finally implement GST till September 2017 and prove it as a milestone in the history of tax reforms in India.

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